

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Central Dispatch Network	County Washtenaw
Audit Date March 31, 2005	Opinion Date March 22, 2006	Date Accountant Report Submitted to State: April 26, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

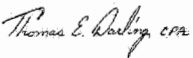
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASL GU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON THOMAS E. DARLING, CPA			
Street Address 5750 NEW KING STREET, SUITE 200	City TROY	State MI	Zip 48098
Accountant Signature 			

CENTRAL DISPATCH NETWORK

AUDIT REPORT

APRIL 1, 2004 - MARCH 31, 2005

REHMANN ROBSON

Certified Public Accountants

Central Dispatch Network
Annual Financial Report
For the Year Ended March 31, 2005

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REHMANN ROBSON

Certified Public Accountants

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An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

March 22, 2006

To the Network Board
Central Dispatch Network
Belleville, Michigan 48111

We have audited the accompanying financial statements of the governmental activities and the major fund of the **Central Dispatch Network, Michigan**, (the "Network") as of and for the year ended March 31, 2005, which collectively comprise the Network's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Central Dispatch Network, Michigan's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of **Central Dispatch Network, Michigan**, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2006, on our consideration of ***Central Dispatch Network, Michigan's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 4 through 6 and the budgetary comparison information on page 20, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Lehmann Lobson

Central Dispatch Network
Management Discussion and Analysis (Unaudited)
For the Year Ended March 31, 2005
Page 1

Central Dispatch Network management offers this narrative overview and analysis of the Network's financial activities and statements for the fiscal year ended March 31, 2005. The accounting and financial reporting standards that the Network follow are established by the Governmental Accounting Standards Board (GASB). This narrative is an overview of the financial health of the Network based on the information in the statements. This discussion is intended to be an objective, straightforward and understandable introduction to the Network's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Network exceeded liabilities at the close of the fiscal year ended March 31, 2005, by \$29,536 (*net assets*). Of this amount, \$42,412 is "Invested in Capital Assets" leaving a negative (\$12,876) (*unrestricted net assets*) to be used to meet the Network's ongoing obligations to citizens and creditors.
- The Network's total net assets decreased by \$7,832. This decrease is mainly attributable to:
 - A decrease in jail use revenue of approximately \$8,700.
- At the end of the current fiscal year, the Network reported an ending fund deficit of (\$6,210).
- The Network's beginning fund balance was decreased by \$6,376 for accounts receivable on the books from 1998 to 2000, which are expected to be uncollectible.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 and 10) provide information about the activities of the Network as a whole and present a longer-term view of the Network finances. Fund financial statements start on page 11. These statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Network's operations in more detail than the government-wide statements by providing information about the Network's sources and uses of revenue.

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the Network as a whole and about its activities in a way that helps answer the question - "Is the Network as a whole better off or worse off as a result of the year's activities?" The statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Network's *net assets* and changes in them. You can think of the Network's net assets - the difference between assets and liabilities - as one way to measure the Network's financial health, or *financial position*. Over time, *increases* or *decreases* in the Network's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non financial factors, however, to assess the *overall health* of the Network.

Central Dispatch Network
Management Discussion and Analysis (Unaudited)
For the Year Ended March 31, 2005
Page 2

THE NETWORK AS A WHOLE

For the year ended March 31, 2005, net assets changed as follows:

	Governmental <u>Activities</u>
Beginning Net Assets	\$ 37,368
Decrease in Net Assets	(7,832)
Ending Net Assets	<u>\$ 29,536</u>

	2005 Governmental <u>Activities</u>
Net Assets	
Current Assets	\$ 51,416
Capital Assets	42,412
Total Assets	<u>93,828</u>
Current Liabilities	<u>64,292</u>
Net Assets:	
Invested in Capital Assets	42,412
Unrestricted (Deficit)	(12,876)
Total Net Assets	<u>\$ 29,536</u>

Net assets of the Township's governmental activities decreased by 20.96%. Governmental activities were charged with \$6,823 of depreciation, which represents 18.26% of the decrease.

Since this is the first year to report all activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current and prior-year assets, liabilities and changes in net assets.

Governmental Activities

Again, because this is the first year to report governmental activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in next years discussion this section will show a condensed financial comparison of revenues and expenses and provide explanations for significant differences.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expense and Changes in Net Assets. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of the operating activity of the Network.

Central Dispatch Network
Management Discussion and Analysis (Unaudited)
For the Year Ended March 31, 2005
Page 3

THE NETWORK'S FUNDS

Governmental Funds

With the implementation of two new accounting standards, (GASB 33 and GASB 34) an analysis of current and prior year governmental fund balance sheets is difficult to do. In subsequent years, this section will discuss and analyze significant differences.

For the current fiscal year, the Network's fund balance decreased by (\$1,443). This created an ending fund deficit of (\$6,210).

Budgetary Highlights

In March 2004, the Network Board approved the budget for the year ended March 31, 2005. No amendments to the original budget were proposed to the Network Board.

The actual total revenue for the fiscal year ended March 31, 2005 of \$299,886 was less than the budget amount of \$307,298 by \$7,412. State shared revenue followed the recent trend and fell \$1,345 under budget. In addition, the revenue from Dispatch Service to others came in \$4,480 under the budget and jail revenue came in \$1,534 under budget due to a decrease in services provided in both these areas.

Total expenditures of \$301,329 exceeded the budgeted amount of \$287,683 by \$13,646. Fringe benefits accounted for the single largest cost overrun of \$11,424 which was due to unexpected increases in workers compensation and health insurance. Accounting and legal fees exceeded budget by \$1,785 due mainly to legal fees incurred.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At March 31, 2005, the Network had \$42,412 invested in capital assets. The only type of capital asset held by the Network is machinery and equipment. There is no change, excluding depreciation, from the prior year (see table below).

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Machinery & Equipment	\$ 115,386	\$ 115,386
Less: Accumulated Depreciation	(66,151)	(72,974)
Total	<u>\$ 49,235</u>	<u>\$ 42,412</u>

Additional information on the Township's capital assets can be found in Note 3.C. on page 20 of this report.

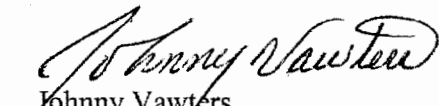
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

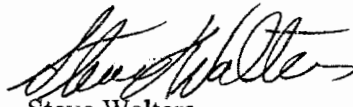
At March 31, 2004, the Network's fund balance was decreased by \$6,376 for uncollectible accounts receivable. This reduced an already insufficient fund balance of \$1,609 to a fund deficit of (\$4,767). Current fiscal year activity showed a deficit of (\$1,443), which increased the ending fund deficit to (\$6,210). There are no expected increases in Network revenue.

Central Dispatch Network
Management Discussion and Analysis (Unaudited)
For the Year Ended March 31, 2005
Page 4

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the Network's finances and to show the Network's accountability for the money it receives. If you have questions about this report, contact the Sumpter Township Clerk's office at 23480 Sumpter Road, Belleville, Michigan 48111.


Johnny Vawters
Supervisor, Sumpter Township


Steve Walters
City Manager, City of Belleville

Central Dispatch Network
Statement of Net Assets
March 31, 2005

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 49,295
Receivables (Net)	1,085
Prepaid Expenses	1,036
Total Current Assets	<u>51,416</u>
Noncurrent Assets:	
Capital Assets, Net of Depreciation	<u>42,412</u>
Total Assets	<u>93,828</u>
Liabilities	
Current Liabilities:	
Accounts Payable and Accrued Expenses	<u>64,292</u>
Net Assets	
Invested in Capital Assets	42,412
Unrestricted (Deficit)	<u>(12,876)</u>
Total Net Assets	<u><u>\$ 29,536</u></u>

The accompanying notes are an integral part of this statement.

**Central Dispatch Network
Statement of Activities
For the Year Ended March 31, 2005**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government:				
Governmental Activities:				
Public Safety	\$ 307,718	\$ 28,962	\$ 269,350	\$ (9,406)
General Revenues:				
Investment Earnings				535
Miscellaneous				1,039
Change in net assets				(7,832)
Net Assets - Beginning				37,368
Net Assets - Ending				\$ 29,536

The accompanying notes are an integral part of this statement.

Central Dispatch Network
Balance Sheet
Governmental Fund
March 31, 2005

	Operating Fund
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 49,295
Accounts Receivable	1,085
Prepaid Items	<u>1,036</u>
Total Assets	<u>\$ 51,416</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts Payable	\$ 18,506
Due to Other Governmental Units	34,045
Salaries Payable	2,461
Pension Payable	<u>2,614</u>
Total Liabilities	<u>57,626</u>
Fund Balance/(Deficit):	
Unreserved, Undesignated	<u>(6,210)</u>
Total Liabilities and Fund Balance	<u>\$ 51,416</u>

The accompanying notes are an integral part of this statement.

Central Dispatch Network
Reconciliation of Total Governmental
Fund Balance to Net Assets of
Governmental Activities
March 31, 2005

Total Governmental Fund Balance	\$ (6,210)
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	42,412
--	--------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(6,666)</u>
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Net Assets of Governmental Activities	<u><u>\$ 29,536</u></u>
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The accompanying notes are an integral part of this statement.

Central Dispatch Network
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended March 31, 2005

	Operating Fund
Revenues:	
City of Belleville	\$ 134,000
Township of Sumpter	134,000
State Shared Revenue	1,350
Dispatch Service to Others	1,085
Jail Revenue	14,950
Tower Revenue	12,927
Refunds	1,039
Interest	535
Total Revenues	<u>299,886</u>
Expenditures:	
Salaries	191,023
Fringe Benefits	65,533
State of Michigan Lien	3,071
Communications	6,936
Equipment Maintenance	692
Office Supplies	3,051
Operating Supplies	9,407
Training and Education	1,547
Accounting and Legal Fees	4,275
Contracted Services	9,751
Transportation and Travel	187
Rent	3,500
Food for Prisoners	2,043
Medical	98
Miscellaneous	215
Total Expenditures	<u>301,329</u>
Net Change in Fund Balance	<u>(1,443)</u>
Fund Balance at Beginning of Year	1,609
Restatement for Deferred Receivables	<u>(6,376)</u>
Fund Balance at Beginning of Year, Restated	<u>(4,767)</u>
Fund Balance at End of Year	<u><u>\$ (6,210)</u></u>

The accompanying notes are an integral part of this statement.

Central Dispatch Network
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2005

Net Changes in Fund Balance - Total Governmental Funds	\$ (1,443)
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Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. This is the amount by which depreciation
exceeded capital outlays in the current period.

(6,823)

Some expenses reported in the Statement of Activities, such
as accrued interest payable, do not require the use of current
financial resources and therefore, are not reported as
expenditures in governmental funds.

434

Change in Net Assets of Governmental Activities

\$ (7,832)

The accompanying notes are an integral part of this statement.

Central Dispatch Network
Notes to Financial Statements
March 31, 2005
Page 1 of 7

Note 1. Summary of Significant Accounting Policies

1.A. The Financial Reporting Entity

Central Dispatch Network, a joint venture, was created by an agreement between the City of Belleville and Sumpter Township on October 20, 1987 under the authoritative provisions of Act No. 8 of the Public Acts of Michigan, 1967. The purpose of the Network is to provide emergency communication services to its members.

The Central Dispatch Network Board consists of four members appointed equally by Sumpter Township and the City of Belleville. This Board has the responsibility to approve operating budgets; however, the City of Belleville and Sumpter Township have the responsibility to fund deficits and will share in any fund equity of the Central Dispatch Network.

The financial statements of Central Dispatch Network (CDN) have been prepared with generally accepted accounting principles (GAAP) as applied to government units. The more significant of the government's policies are described below. CDN's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

In June 1999, the Government Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Effective April 1, 2004, CDN implemented the Provision of GASB No. 34. Changes to CDN's financial statements as a result of GASB No. 34 are as follows:

For the first time the financial statements include:

A Management discussion and analysis (MD&A) section providing an analysis of CDN's overall financial position and results of operations.

Financial statements prepared using full accrual accounting.

Capital assets in the statement of net assets include assets totaling \$115,386 which were previously reported in the General Fixed Assets Account Group at March 31, 2004. These capital assets were adjusted by \$(66,151) at April 1, 2004, to properly reflect the historical cost of CDN's capital assets at that time.

These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

1.B. Basis of Presentation

CDN's basic financial statements include both government-wide (i.e., the Statement of Net Assets and the Statement of Activities) and fund financial statements (i.e., the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance).

Basic Financial Statements-Government-Wide Statements

In the government-wide Statement of Net Assets, activities recognize all long-term assets and receivables as well as long-term debt and obligations. CDN's net assets are reported in two parts - invested in capital assets, net of related debt and unrestricted net assets. CDN has no restricted net assets.

Central Dispatch Network
Notes to Financial Statements
March 31, 2005
Page 2 of 7

Note 1. Summary of Significant Accounting Policies - (continued)

1.B. Basis of Presentation - (continued)

The government-wide Statement of Activities demonstrates the degree to which direct expenses are offset by program revenue. Program revenues include 1) charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements. Other items not properly included among program revenues are reported instead as general revenues.

Basic Financial Statements - Fund Financial Statements

The financial transactions of CDN are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The funds are reported by generic classification within the financial statements as follows:

(1) Governmental Funds:

The focus of governmental fund measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. CDN reports one governmental fund, which is the Operating Fund. The Operating Fund is the general operating fund of CDN. It is used to account for all financial resources.

1.C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

(1) Measurement Focus

On the government-wide Statement of Net Assets and Statement of Activities, activities are presented using the economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Fund equity is classified as net assets. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

In the Operating Fund financial statements, the current financial resources measurement focus is used. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements present increases (i.e., revenues, and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

(2) Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied

(a) Accrual:

The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Central Dispatch Network
Notes to Financial Statements
March 31, 2005
Page 3 of 7

Note 1. Summary of Significant Accounting Policies - (continued)

1.C. Measurement Focus and Basis of Accounting - (continued)

(2) Basis of Accounting - (continued)

(b) Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

1.D. Assets, Liabilities and Equity

Cash and Cash Equivalents

For the purpose of the Statement of Net Assets, cash and cash equivalents include amounts on deposit as well as short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Receivable balances consist principally of jail use revenue billed but not yet received.

In the fund financial statements, receivables consist of revenues expected to be received within 60 days since they would be considered both measurable and available

Prepaid Items

Payments made to vendors for services that will benefit periods beyond March 31, 2005, are recorded as prepaid items.

Capital Assets

The accounting treatment over capital assets depends on whether they are reported in the government-wide or fund financial statements. Capital assets are defined as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year.

Government-Wide Statements

Capital assets, which consist of equipment are reported in the government-wide financial statements. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Prior to April 1, 2004, governmental funds' assets were not capitalized. These assets (back to April 1, 1980) have been valued at estimated historical cost.

Central Dispatch Network
Notes to Financial Statements
March 31, 2005
Page 4 of 7

Note 1. Summary of Significant Accounting Policies - (continued)

1.D. Assets, Liabilities and Equity - (continued)

Government-Wide Financial Statements - (continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The estimated useful lives of equipment range from 5-20 years.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Fund Financial Statements

In the fund financial statements, capital assets are accounted for as capital outlay expenditures in the year of acquisition.

1.E. Compensated Absences

Central Dispatch Network employees are granted vacation time based on length of service. All unused vacation time is paid at the current rate at the time of resignation or retirement. Sick leave is accumulated at the rate of one day per month of employment for all employees to a maximum of 120 days. One-half of unused accumulated sick days shall be paid at the current rate upon separation from employment.

1.F. Net Assets

Net assets present the difference between assets and liabilities in the Statement of Net Assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Page 12 includes a reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds". The details of this difference are as follows:

Accrued Compensated Absences	\$ <u>(6,666)</u>
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Central Dispatch Network
Notes to Financial Statements
March 31, 2005
Page 5 of 7

Note 2. Reconciliation of Government-Wide and Fund Financial Statements - (continued)

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital Outlay	\$ --
Depreciation	(6,823)
Net Adjustment	<u>\$ (6,823)</u>

Note 3. Detail Notes on Transaction Classes / Accounts

3.A. Cash and Investments

For additional descriptive information, see Note 1.D.

Deposits and Investments

The table presented below is designed to disclose the level of custody credit risk assumed by Central Dispatch Network based upon how its deposits were insured or secured with collateral at March 31, 2005. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by Central Dispatch Network or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the name of Central Dispatch Network.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the name of Central Dispatch Network; or collateralized with no written or approved collateral agreement.

Deposits

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand Deposits	\$ 46,180	\$ 46,180	\$ --	\$ --	\$ 49,295

Central Dispatch Network
Notes to Financial Statements
March 31, 2005
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Note 3. Detail Notes on Transaction Classes / Accounts - (continued)

3.B. Accounts Receivable and Accounts Payable

Accounts Receivable

Accounts receivable of the governmental activities as of year end for Central Dispatch Network, including the applicable allowance for uncollectible accounts, are listed below.

	Operating <u>Fund</u>
Gross Receivables	
Accounts	\$ 7,461
Less: Allowances for	
Uncollectibles	<u>(6,376)</u>
Net Accounts Receivable	
Governmental Activities	<u>\$ 1,085</u>

Accounts payable of the governmental activities as of year end for Central Dispatch Network are as follows:

	General <u>Fund</u>
Accounts Payable to Vendors	\$ 18,506
Due to Other Governmental Units	34,045
Accrued Salaries and Benefits	5,075
Accrued Compensated Absences	<u>6,666</u>
	<u>\$ 64,292</u>

3.C. Capital Assets

Capital asset activity for the year ended March 31, 2005, was as follows:

	Balance April 1, 2004	Additions	Disposals	Balance March 31, 2005
Governmental Activities:				
Capital Assets Being Depreciated				
Machinery & Equipment	\$ 115,386	\$ --	\$ --	\$ 115,386
Less Accumulated Depreciation:				
Machinery & Equipment	(66,151)	(6,823)	--	(72,974)
Capital Assets, Net	<u>\$ 49,235</u>	<u>\$ (6,823)</u>	<u>\$ --</u>	<u>\$ 42,412</u>

Central Dispatch Network
Notes to Financial Statements
March 31, 2005
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Note 3. Detail Notes on Transaction Classes / Accounts - (continued)

3.C. Capital Assets - (continued)

Depreciation expense was charged to functions/programs of the Township as follows:

Governmental Activities:	
Public Safety	<u>\$ 6,823</u>

3.D. Operating Leases

Central Dispatch Network has entered into a lease agreement with the City of Belleville as lessee of office space on an annual basis. The Network leases space from the City of Belleville on an annual basis at a cost of \$3,500 per year.

Lease expense for the year ended March 31, 2005 was \$3,500.

Note 4. Other Notes

Deferred Compensation Plan

The Central Dispatch Network offers its employees a deferred compensation plan created in accordance with IRS Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts and all income attributable to such amounts, property or rights are, until made available to the employee or other beneficiary, solely the property and rights of the Network without being restricted to the provisions of benefits under the plan and thus subject to the claims of the Network's general creditors. Participant's rights created under the plan are equivalent to those of general creditors of the Network.

Investments are managed by the plan's trustee under one of four investment options, or a combination thereof. The choice of the investment option(s) is made by the participants.

Under the Small Business Job Protection Act of 1996, plan assets are held in trust for the exclusive benefit of plan participants. Therefore, deferred compensation plan assets are excluded from this report.

Restatement of Fund Balance

In prior years, receivables for jail use were recorded as revenue in the year earned. However, these receivables are significantly old and most likely uncollectible.

Central Dispatch Network
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Operating Fund
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
City of Belleville	\$ 134,000	\$ 134,000	\$ 134,000	\$ --
Township of Sumpter	134,000	134,000	134,000	--
State Shared Revenue	2,695	2,695	1,350	(1,345)
Dispatch Service to Others	5,565	5,565	1,085	(4,480)
Jail Revenue	16,484	16,484	14,950	(1,534)
Tower Revenue	12,980	12,980	12,927	(53)
Refunds	1,039	1,039	1,039	--
Interest	535	535	535	--
Total Revenue	<u>307,298</u>	<u>307,298</u>	<u>299,886</u>	<u>(7,412)</u>
Expenditures:				
Salaries	190,204	190,204	191,023	(819)
Fringe Benefits	54,109	54,109	65,533	(11,424)
State of Michigan Lien	3,531	3,531	3,071	460
Communications	6,913	6,913	6,936	(23)
Equipment Maintenance	170	170	692	(522)
Office Supplies	3,000	3,000	3,051	(51)
Operating Supplies	9,390	9,390	9,407	(17)
Training and Education	1,547	1,547	1,547	--
Accounting and Legal Fees	2,490	2,490	4,275	(1,785)
Contracted Services	10,286	10,286	9,751	535
Transportation and Travel	187	187	187	--
Rent	3,500	3,500	3,500	--
Food for Prisoners	2,043	2,043	2,043	--
Medical	98	98	98	--
Miscellaneous	215	215	215	--
Total Expenditures	<u>287,683</u>	<u>287,683</u>	<u>301,329</u>	<u>(13,646)</u>
Net Change in Fund Balance	<u>19,615</u>	<u>19,615</u>	<u>(1,443)</u>	<u>(21,058)</u>
Fund Equity, Beginning of Year	1,609	1,609	1,609	--
Restatement for Deferred Receivables	--	--	(6,376)	(6,376)
Fund Balance at Beginning of Year, Restated	<u>1,609</u>	<u>1,609</u>	<u>(4,767)</u>	<u>(6,376)</u>
Fund Equity, End of Year	<u>\$ 21,224</u>	<u>\$ 21,224</u>	<u>\$ (6,210)</u>	<u>\$ (27,434)</u>

Central Dispatch Network
Footnotes to Required Supplementary Information
March 31, 2005
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Legal Compliance - Budgets - Accounting and Reporting

The Police Chief submits an annual budget to the Network Board in March for Board approval. Once approved, the Board may amend the legally adopted budget as necessary.

A budget was adopted and amended on a basis consistent with generally accepted accounting principles. Annual appropriations lapse at fiscal year end.

The budget was not amended for March 31, 2005. Budgeted amounts are as originally adopted by the Central Dispatch Network.

For the year ended March 31, 2005, expenditures exceeded budget appropriations in the following expenditure categories:

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Expenditures in Excess of Appropriations</u>
Salaries	\$ 190,204	\$ 190,204	\$ 191,023	\$ 819
Fringe Benefits	\$ 54,109	\$ 54,109	\$ 65,533	\$ 11,424
Communications	\$ 6,913	\$ 6,913	\$ 6,936	\$ 23
Equipment Maintenance	\$ 170	\$ 170	\$ 692	\$ 522
Office Supplies	\$ 3,000	\$ 3,000	\$ 3,051	\$ 51
Operating Supplies	\$ 9,390	\$ 9,390	\$ 9,407	\$ 17
Accounting and Legal Fees	\$ 2,490	\$ 2,490	\$ 4,275	\$ 1,785



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

March 22, 2006

To the Network Board
Central Dispatch Network
Belleville, Michigan 48111

We have audited the financial statements of the governmental activities and the major fund, of the *Central Dispatch Network, Michigan* as of and for the year ended March 31, 2005, which collectively comprise the *Central Dispatch Network, Michigan's* basic financial statements and have issued our report thereon dated March 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered *Central Dispatch Network, Michigan's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Network's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the network board, and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Johnson